

Weekly Contributions
Latin American Division, ORE, CIA
15 November 1949

CURRENT DEVELOPMENTS

CENTRAL AREA: The Ecuadoran congress, by its selection of vice-president, has improved President Plaza's position (p. 2).

SOUTHERN AREA: Chile's Communists have again demonstrated their ability to incite trouble (p. 2).

SPECIAL SUBJECTS

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Weekly Contributions, D/LA
(CIA Working Paper)

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1. ECUADOR: Selection of Senator Abel A. Gilbert as vice-president of Ecuador by congress on 8 November offers further evidence of the weakening of anti-Plaza forces in congress. It is believed that the election of a non-Conservative successor to the recently deceased Conservative vice-president (Manuel Sotomayor y Luna) will not seriously jeopardize President Plaza's standing with the Conservative Party as that party, in view of its minority condition, cannot afford to be oppositionist. On the other hand, the selection of Senator Gilbert, an avowed pro-Plaza Socialist who refused the offer of the governorship of the important coastal province of Guayas under the Mancheno regime, should materially improve Plaza's previously weak position with the right-wing Socialists and the more moderate elements of the Liberal-Radical party in the coastal region.
2. CHILE: A brief but violent Communist demonstration -- the second in recent months -- staged in Santiago on the 32nd anniversary of the Russian revolution, showed evidence of careful planning. Taking advantage of the annual student festival parade, the Communists, many of them masked and armed, created disturbances among the crowds and fired on the police. The incident shows that recent steps taken by the Chilean government to restrain Communists have not eliminated their ability to exploit any favorable opportunity to incite trouble.

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The Current Situation in British Guiana

(Summary -- There have been no political developments of consequence during recent months. The economy has not yet responded to probable adverse effects of devaluation. There have been no problems of subversion. The semi-military police force continues to be of no political or military importance. There have been no significant international developments.

-- US security interests have not been affected by recent developments in British Guiana.)

Political

Reporting from both official sources and in the public press indicates that there have been no political developments or activities of sufficient significance to require comment.

Economic

The formerly stable British Guiana economic structure has been subjected to the pressures of devaluation, the adverse effects of which have not yet made their mark.

The devaluation of the British Guiana dollar (formerly US\$.34, now US\$.26) has necessitated government action with regard to the black market. By a special order, wide powers were given to the government control board. All dealers and shopkeepers were required to submit statements showing stocks on hand. Merchants are now required to store supplies only on those premises which are licensed for the conduct of their businesses. Refusal to sell to any customer has been made a criminal offense. The government hopes that these measures will prevent a hiding of stocks pending opportunity to secure higher prices.

Producers and exporters of bauxite, gold, rum, diamonds, and timber are expected to benefit immediately and substantially from the devaluation. To mitigate the adverse effects of the devaluation on importers, the government plans to exert the controls necessary to force importers to make their purchases in the sterling area whenever supplies are available there. Where such essential items as flour, split peas and salted fish are concerned, however, relief is hardly to be expected as the principal source of these commodities is Canada which has devalued only ten percent.

It appears that devaluation must inevitably have an inflationary effect in British Guiana, and that this colony will become a greater

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drain on sterling-area dollar resources than it was before. It is most improbable that British Guiana will be able to earn any more dollars than before. The major proportion of such earnings comes from bauxite exports, the price of which is fixed in the US, making any decline in price most improbable. Moreover, the colony would not be likely to benefit from any price decline because the demand for bauxite is so stabilized that cheaper bauxite would not call into being any new or greater production. Therefore, the only group likely to benefit from devaluation is the bauxite industry. The government could, by taxation or otherwise, force the company to share its increased profits with the government in order that the latter would be able to subsidize increased import costs. It is estimated, however, that no really effective readjustment along these lines is probable in view of the importance of the company in the British Guiana economy and the practical politics inherent in this situation.

To stimulate gold production the British Guiana authorities signed an agreement with Anaconda Mines by which the company acquires exclusive exploration and development rights for the next six years in an area of approximately 4,500 square miles. Rentals have been set at \$15,000 for the first year, and at \$5,000 for each succeeding year. The company plans to spend \$1,500,000 annually for development, including the construction of transport facilities, and \$100,000 a year for prospecting and exploration.

There have been no significant developments during the past three months in agriculture and in the bauxite industry.

The most recent strike of any significance was one of three weeks' duration in the sugar industry. With the return of these workers (14 Sep '49), the labor situation has again become basically quiet. Intermittent reports of incipient trouble at the Demerara Bauxite Company continue to be received. Although there may be sporadic outbreaks of trouble in the bauxite industry from time to time, it is not anticipated that a total stoppage of work can or will develop without considerable outside pressure, of which there is presently no indication. These sporadic flare-ups stem largely from the fact that bauxite employees are reluctant to pay union dues when things are going well, consequently union officials are apt to manufacture crises in order to keep interest in the union alive.

Subversive

The absence of any Communist threat in British Guiana continues, as does the growing public sentiment against this ideology. Charles A. Carter (the only paid employee of the Man-Power Citizens Association -

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the bauxite workers' union), who is certainly a fellow-traveller if not party member, is again suspected of propagandizing the bauxite workers. He does not appear to be meeting with much success as there continues to be very little Communist sentiment among this or any other group of workers in the colony.

Military

There are no British troops stationed in British Guiana. The small semi-military police force continues to be of no political or military importance.

International

As a crown colony, British Guiana does not have the legal capacity to carry on international relations in the full sense of that term. During World War II, however, direct dealings were carried on with the US in connection with the operation of the US air base at Atkinson Field. The base has now been deactivated, but US military authorities have decided to continue the maintenance of limited communications, weather and transportation facilities at the field. As a consequence of this, the British Guiana government will be saved about \$500,000 a year in maintenance costs for at least two years.

Nothing of note has developed from the conference held some months ago by the governors of the three Guianas for the discussion of economic and scientific matters of mutual concern.

While the population of British Guiana is not hostile to the US, its attitude is somewhat adversely influenced by a rather exaggerated idea of racial prejudice associated with the US.